

Notice No.: 96-006
Date: April 29, 1996
Applies to: Education employers
Subject: Reporting investment information for TRS Plan 3 members

Clarifying Issues Regarding TRS Plan 3 Reporting

Over the past few weeks we have received a number of communications from education employers concerning their reporting responsibilities under the Teachers' Retirement System (TRS) Plan 3. The focus of these comments has been on an incorrect assumption that employers will be required to maintain and transmit specific investment information for individual members who choose to enter a self-directed program for their TRS Plan 3 defined contributions. The purpose of this Notice is to clarify for all education employers what the specific requirements will be for reporting TRS Plan 3 members' investment information.

The legislation creating TRS Plan 3 provides members with the flexibility of choosing how their defined contribution account is invested. As determined in statute, members have the choice of investing in either the Washington State Investment Board (WSIB) state-wide portfolio, or in self-directed investment options, when this program becomes available.

Because the legislature designed TRS Plan 3 in this way, DRS must collect certain information to be able to forward members' money to the appropriate investment manager for investing.

Employers Will Report Members' Choice of WSIB or Self-Directed Option

To allow DRS to correctly forward members' contributions, employers will use the established transmittal reporting system to notify DRS of a member's participation in either the WSIB option or the self-directed program. This is necessary because DRS is required to collect contributions from TRS 3 members and will be directing them to more than one entity.

Members Choosing to Self-Direct Their Investments Work Directly With the Third Party Administrator

Members who choose to self-direct their defined contributions will work directly with the contracted third party administrator to set up the investment allocation of their contributions within that program. There is no requirement for employers to collect, monitor, or report any of the allocations *within* a member's self-directed portfolio.

Members Can Actively Contribute to the WSIB Option or the Self-Directed Option, Not Both.

Initially, all members' defined contributions will be reported to the WSIB. After the self-directed program has been established, members will be able to have their monthly contributions invested either by the WSIB or by the third party administrator of the self-directed investment program. Members will not be able to split their continuing monthly contributions between these two options.

Employers Are Not Responsible for Members' Specific Investment Decisions

Employers' only reporting responsibility is to identify for DRS that the defined contributions should be transmitted to the WSIB option or to the third party administrator for the self-directed program. It will be members' responsibility to contact the third party administrator to handle their account.

- Employers are not responsible to advise members on their investment choices; members who choose the self-directed program will communicate directly with the third party administrator.
- Employers will not be involved in members' self-direction of those investments; members will work directly with the third party administrator to set up and manage their investment allocations.
- Employers will not be required to maintain information about the member's investment; members will receive that information directly from the third party administrator.
- Employers are not responsible for monitoring the investment allocation choices of members who choose to participate in the self-directed program.

DRS Will Continue Working With Employers On TRS Plan 3 Reporting Issues

DRS developed the TRS Plan 3 reporting requirements with input from employer representatives. We are conscious of the workload impacts associated with reporting TRS Plan 3 members and will continue working to minimize impacts to employers wherever possible. As always, employers have a legal responsibility to accurately report the required information for members that participate in DRS-administered retirement systems. We appreciate your continuing cooperation in reporting accurate member information to ensure accurate and timely processing of retirement information.

Sheryl Wilson
Director

1996 DRS Notices

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